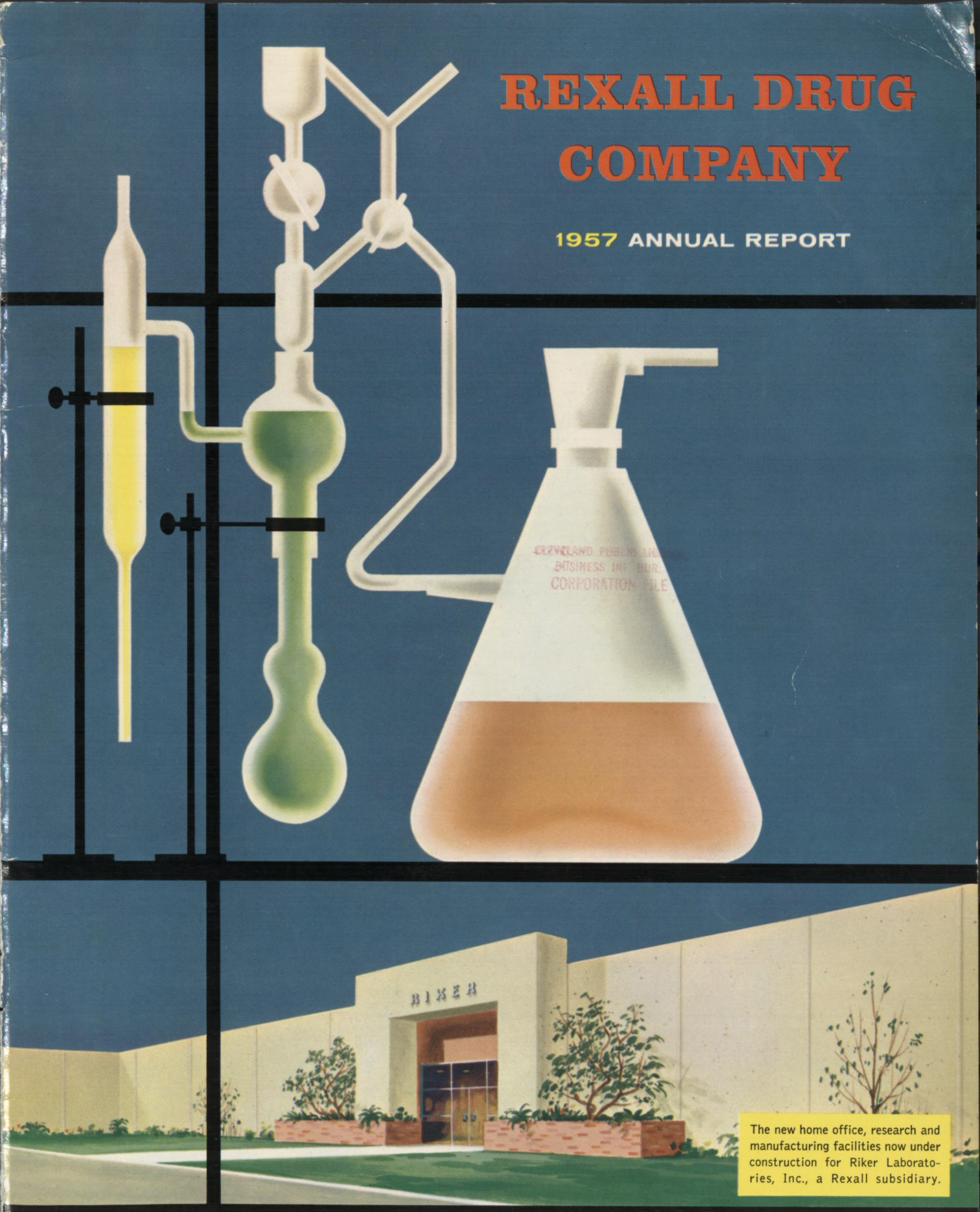
REXALL DRUG COMPANY

1957 ANNUAL REPORT



The new home office, research and manufacturing facilities now under construction for Riker Laboratories, Inc., a Rexall subsidiary.

CLEVELAND PUBLIC LIBRARY
BUSINESS INF. BUR.
CORPORATION FILE

FOR THE YEAR ENDED DECEMBER 31, 1957

BOARD OF DIRECTORS

Earl E. Anderson	*Montclair, N.J.*
Hiram C. Bender	*Los Angeles, Calif.*
John Bowles	*Los Angeles, Calif.*
John C. Cornelius	*Minneapolis, Minn.*
Justin Dart	*Los Angeles, Calif.*
Paul A. Draper	*Boston, Mass.*
Rudolph J. Drews	*Los Angeles, Calif.*
F. Thatcher Lane	*Litchfield, Conn.*
Walter T. Lillie	*Los Angeles, Calif.*
George L. Maison, M.D.	*Los Angeles, Calif.*
Adé Schumacher	*New York, N.Y.*
James E. Shelton	*Los Angeles, Calif.*
William C. Tackett	*Palm Springs, Calif.*
Vernon F. Taylor	*San Antonio, Texas*

EXECUTIVE COMMITTEE

Justin Dart, Chairman	*Los Angeles, Calif.*
Earl E. Anderson	*Montclair, N.J.*
Vernon F. Taylor	*San Antonio, Texas*

AUDIT COMMITTEE

Earl E. Anderson, Chairman	*Montclair, N.J.*
Paul A. Draper	*Boston, Mass.*
Vernon F. Taylor	*San Antonio, Texas*

OFFICERS

Justin Dart	*President*
Chester W. Anderson	*Vice-President*
J. Allen Barnett, Jr.	*Vice-President*
Rudolph J. Drews	*Vice-President—Staff Administration*
Roland F. Hallett	*Vice-President and General Counsel*
Walter T. Lillie	*Vice-President and Treasurer*
Bert K. Henry	*Controller*
Harold E. Price	*Secretary*

TRANSFER AGENTS

Guaranty Trust Company of New York, New York — Second Bank-State Street Trust Company, Boston — Bank of America National Trust & Savings Association, Los Angeles.

REGISTRARS

The Chase Manhattan Bank, New York — The National Shawmut Bank of Boston, Boston — California Bank, Los Angeles.

INDEPENDENT AUDITORS

Price Waterhouse & Co.

GENERAL HEADQUARTERS

Rexall Square, 8480 Beverly Blvd., Los Angeles 54, California.

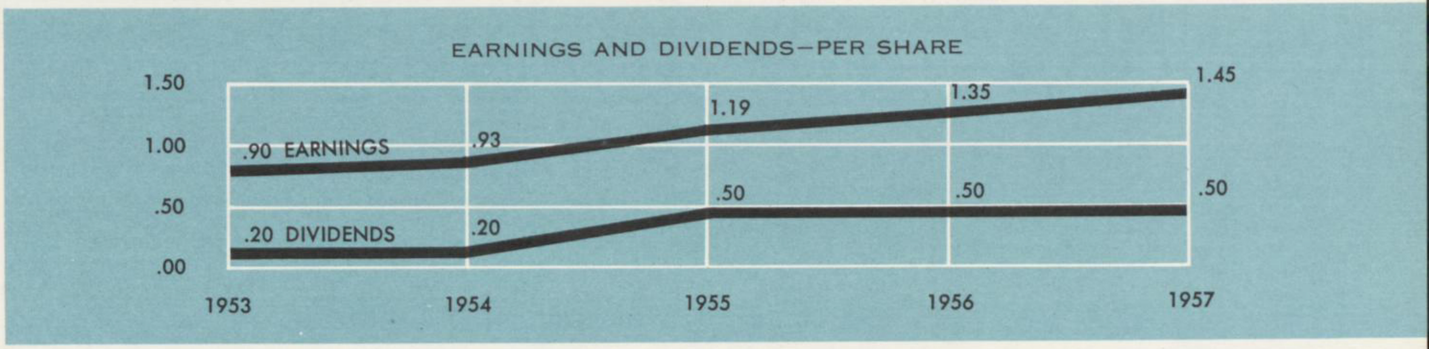
CLEVELAND PUBLIC LIBRARY
BUS. INF. BUR.
CORPORATION FILE

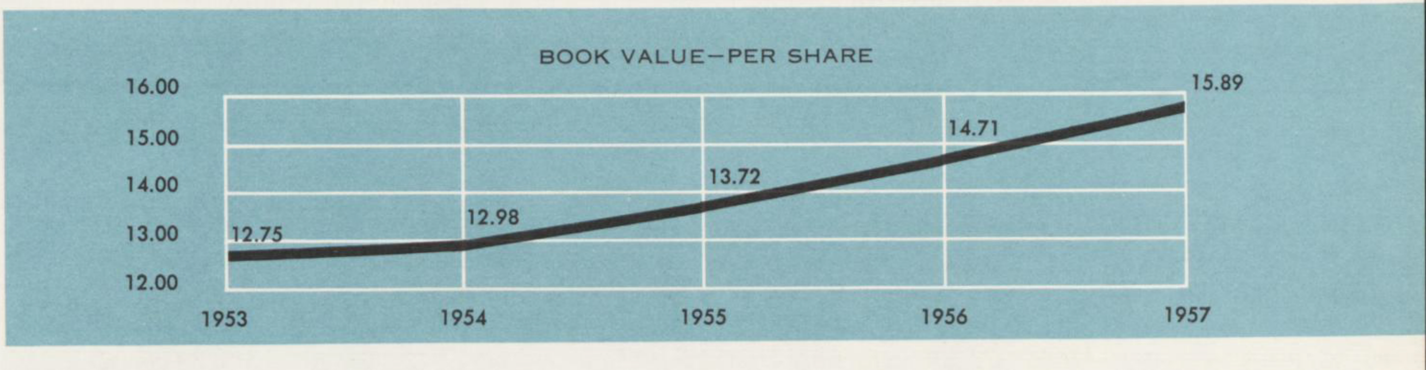
FINANCIAL SUMMARY

Summary of Income and Expenses

	1957	1956
NET SALES — income received from customers for products sold	$167,567,195	$155,633,369
OPERATING EXPENSES		
Purchases of materials, products and supplies and expenses of manufacturing, distribution and administration	113,764,198	105,020,899
Wages and salaries of employees	38,821,812	36,519,995
Interest on borrowed money	935,621	843,690
Wear and tear on plant and machinery	2,048,967	1,814,061
Taxes—Federal, State and Local	7,382,762	6,961,128
	162,953,360	151,159,773
NET EARNINGS	$ 4,613,835	$ 4,473,596
PER SHARE		
Net earnings	$ 1.45	$ 1.35
Dividends paid	0.50	0.50
Stockholders' equity	15.89	14.71

NOTE: Per share amounts above and in charts below are based upon 3,181,673 shares in 1957, 3,310,756 in 1956, 3,429,732 in 1955 and 3,501,120 for the years 1953 and 1954.





JUSTIN DART, *President*

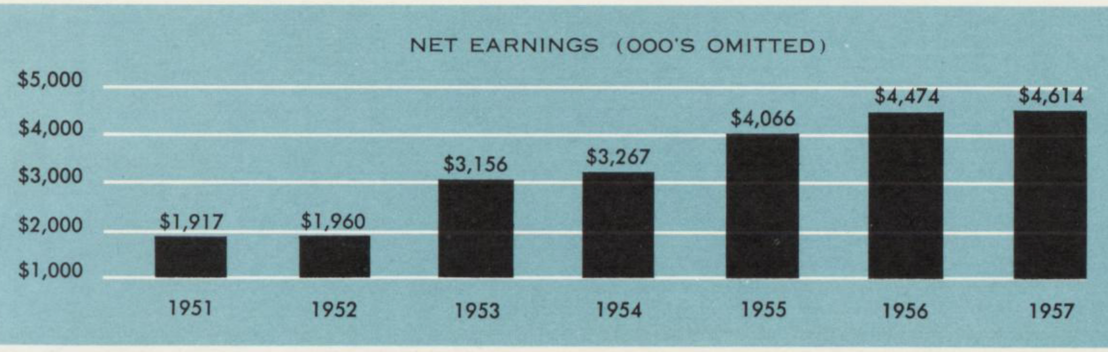
THE PRESIDENT'S LETTER

To the Stockholders of Rexall Drug Company

EARNINGS: Net earnings of Rexall Drug Company and its consolidated subsidiaries for the year ended December 31, 1957, were $4,613,835, equivalent to $1.45 per share on 3,181,673 shares, as compared with $4,473,596, or $1.35 per share on 3,310,756 shares in 1956.

1957 represents the sixth consecutive year of increased earnings for your Company.

SALES: Net sales for 1957 were $167,567,195, an increase of $11,933,826 over the $155,633,369 shown in 1956.



CASH: Cash and short term securities at December 31, 1957, amounted to $14,430,927, as compared with $14,532,528 at the end of 1956.

During the year 1957 your Company increased its holdings of treasury stock by 129,083 shares, purchased on the open market at an average price of $8.74 per share. This compares with a book value of $15.89 per share as of December 31, 1957. These shares were bought because your Board of Directors felt they were substantially undervalued at the acquisition prices.

IMPROVEMENT PROGRAM: Continuing our program for improving service and reducing operating costs, we expended over $6,400,000 in 1957 on major capital additions. These included the completion of four new warehouses and the starting of two new manufacturing plants and a combination warehouse and office building. The major portion of these facilities has been or will be sold and leased back with options to repurchase. Information about these projects is included in the following divisional reports.

LONG TERM BORROWING: An arrangement was completed with a group of insurance companies on December 17, 1957, to borrow $5,000,000 of 5¾% notes due in 1980. $3,385,000 of this loan was received in 1957; the balance will be received in 1958.

Our 3% debentures which were due in 1965 have been converted to a 5% note issue due in 1980. This was done in order to obtain more favorable sinking fund requirements—eliminating all payments contingent upon earnings and spreading repayment requirements over a longer period of years. Reduction in sinking fund requirements over the next seven years is estimated to amount to more than $4,500,000.

That portion of our long term debt represented by 3⅜% notes due in 1980 remains unchanged.

Proceeds from these new loan arrangements will be utilized to finance your Company's continuing expansion programs.

DIVIDENDS: Your Company has been diversifying for a number of years. Most of the funds used for this purpose have been realized from the sale of a large number of unprofitable or marginal retail drug stores and certain manufacturing facilities. Additional development money will henceforth have to come from either retained earnings or borrowed funds.

Your Board of Directors will continue to review the dividend situation each quarter. However, we wish to point out that your Board of Directors and Management regard Rexall as having unusual growth potentials. For that reason we are inclined to be balanced on the side of conservative cash dividends.

OUTLOOK: In recent years we have created a broader base for the operations of your Company. We are looking for growth in all divisions although the rate of development will not be uniform. The general economic climate will, of course, influence our results but we are confident of continuing progress.

The Annual Meeting of the Stockholders will be held in Los Angeles, California, on April 22, 1958. If you are unable to attend, we urge you to exercise your voting rights and mail in your proxy as soon as convenient.

February 26, 1958

Respectfully submitted,

Justin Dart

Justin Dart, President

STAFF OFFICERS

RUDOLPH J. DREWS
Vice-President
Staff Administration

WALTER T. LILLIE
Vice-President
and Treasurer

ROLAND F. HALLETT
Vice-President
and General Counsel

BERT K. HENRY
Controller

REXALL DIVISION

JOHN BOWLES
President, Rexall Division

M. J. ERICKSON
Vice-Pres., Rexall Division

The Rexall Division manufactures pharmaceuticals, proprietary drugs, cosmetics, surgical and sick room supplies. All products are sold under the Rexall trade-mark and other trade-marks owned by Rexall. These products are distributed exclusively through 11,149 Rexall franchised drug stores in the United States and Canada, none of which is owned or operated by the Rexall Division. As an additional service to its franchise holders, the Rexall Division also distributes certain household and sundry items not manufactured by Rexall.

Sales increased again in 1957. Prestige of Rexall drug products and Rexall drug stores reached another new high. Surveys by the National Panel of Consumer Opinion indicate that Rexall continues to be the foremost name in both drug products and drug stores. Rexall's franchised dealers continue to prosper from the traffic brought into their stores by the use of the name Rexall and by the ever-expanding Rexall National Advertising. The Rexall trade-mark with its exclusive franchised method of distribution provides retail druggists with the most formidable weapon with which to combat the ever-broadening distribution of drug products in super-markets, variety stores and other non-drug outlets. The average annual sales of Rexall franchised drug stores continue to run far above the national average for all drug stores.

In 1957 a substantial additional number of Rexall dealers modernized and applied Rexall's standard exterior signs. This is an important factor in the primary objective of the Rexall Division, which is to continually improve the quality of its franchised dealers. Rexall druggists find that they realize the full power of their franchise and their National Advertising only when they completely identify their stores with the distinguishing orange and blue of Rexall.

Canadian Operation: Rexall's Canadian company continued its growth in 1957. Construction was started on a new manufacturing plant and warehouse in Toronto. Expected to be completed early in 1958, this new facility will also be the home office of Rexall's entire Canadian operation.

Rexall Realty Corporation

The average Rexall druggist does not have the financial resources to enable developers of shopping centers to secure long term financing on the basis of his lease. Through Rexall Realty Corporation, a wholly-owned subsidiary, we are making it possible for the Rexall druggists to secure leases. We are also participating in their financing.

This program is essential to give Rexall a strong position in this fast-developing market. It couples the incentive of the operator with our resources and experience.

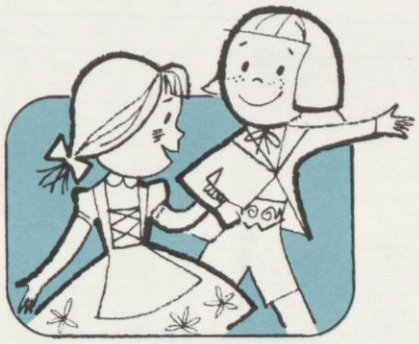
At the end of 1957 we were operating eighteen stores in the new Rexall Realty program. During 1958 we plan to open additional stores in this program.

Rexall National Advertising

Rexall's national advertising campaign reached a new high in impact on October 13 when, for the first time, an hour-long network television and radio "spectacular" was used to promote the Rexall One Cent Sale. Spearheading Rexall's national advertising program, the NBC-TV and Radio simulcast of "Pinocchio" helped make this a record-breaking sale. The six-day event was the most successful One Cent Sale in your Company's history.

Pinocchio

With an all-star cast headed by Mickey Rooney as "Pinocchio" and Walter Slezak as "Gepetto," this delightful musical adaptation of the ever-popular children's classic was hailed throughout the nation. Letters of praise and thanks poured in from viewers as well as Rexall druggists.



Research data attest the show's widespread popularity. The A. C. Nielsen Company estimated Pinocchio's total audience at more than 50 million viewers. The Trendex rating service reported that over 50% of the sets in use were tuned to Rexall's Pinocchio.

Rexall plans to launch its Spring 1958 One Cent Sale with a similarly delightful musical on Sunday, April 27. This time, it's . . .

Hansel and Gretel

Brought to you by the same production team who created and staged "Pinocchio," the "Hansel and Gretel" show is a lilting, lighthearted version of one of the world's best-loved fairy tales. Signed for starring roles are Red Buttons as "Hansel" and Barbara Cook as "Gretel," while Rudy Vallee and Risë Stevens will enact the roles of the Father and Mother. The "Witch" will be played by Hans Conried and Stubby Kaye will be the "Town Crier."

Sunday Newspaper Supplements

Parade
This Week
MAGAZINE
"Why I Believe In The Devil"

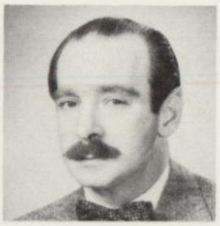
Throughout 1958 Rexall Division's printed advertising campaign also takes on a new look. *This Week*, *Parade* and 81 independent newspapers will each carry twenty-three ads in color. These ads—full pages and double-page spreads—will appear on an average of twice each month throughout the year. As in the past, *Farm Journal* and *Progressive Farmer* will carry Rexall's advertising to the rural areas.

PRODUCT DEVELOPMENT

In 1957, Rexall made greater strides in product development than in any other year. New products marketed last year proved again that your Company is a leader in original product creation. In 1958, the activities of this department are being further expanded.

EDWIN L. RAMSEY, JR.
Director
New Products
Division

PAUL W. SPICKARD, M.D.
Director, Medical
Research
Department



HENRY D. RUDZKI, PH.D.
Director, Research
and Development
Department

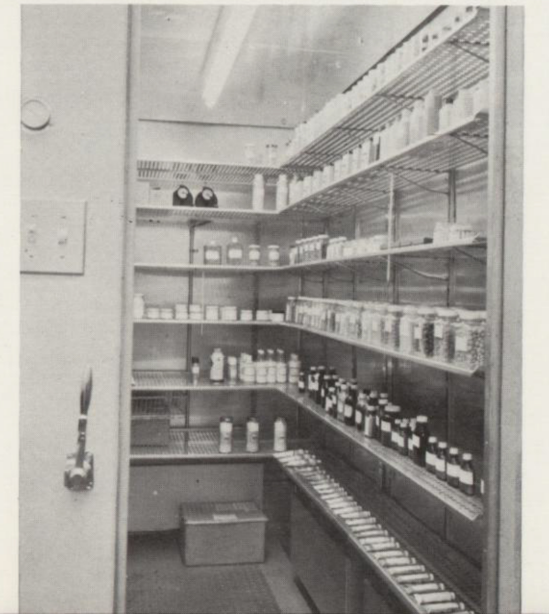
Tableting Division conducts all tablet research and development using full scale production equipment.

Critical standards are a prime requisite in our Pharmaceutical Development laboratory.

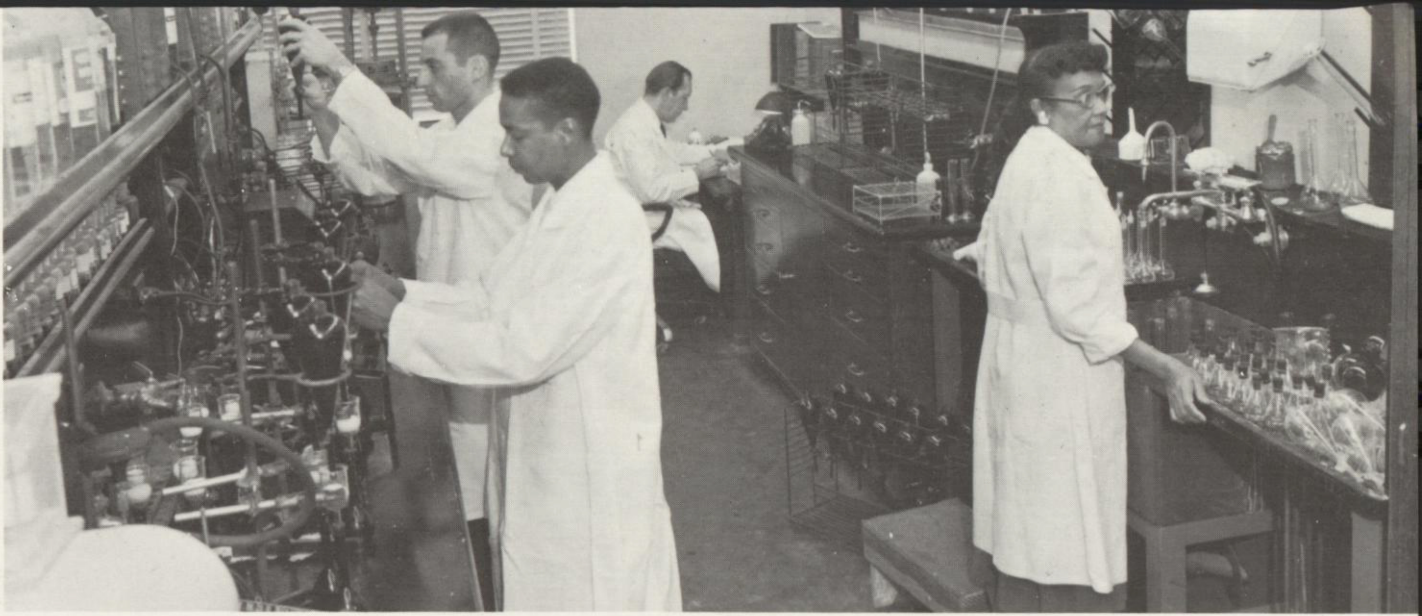
Current cosmetic "library" of perfumes permits selection of best fragrance for each new product.

Viscometer. Modern equipment and skilled technicians insure highest standards.

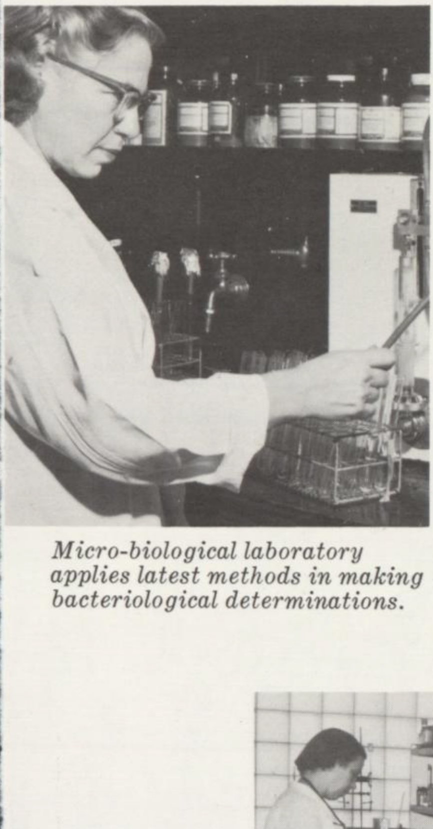
Stability and shelf life are determined by accelerated aging in thermostatically controlled walk-in oven.



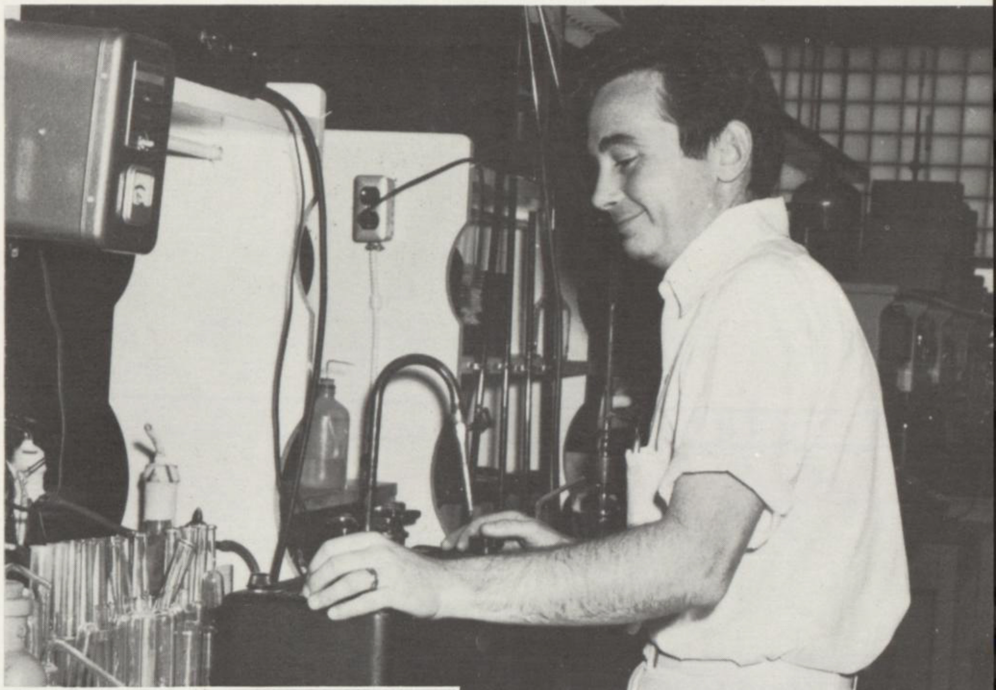
View of laboratory fully equipped for aerosol development.



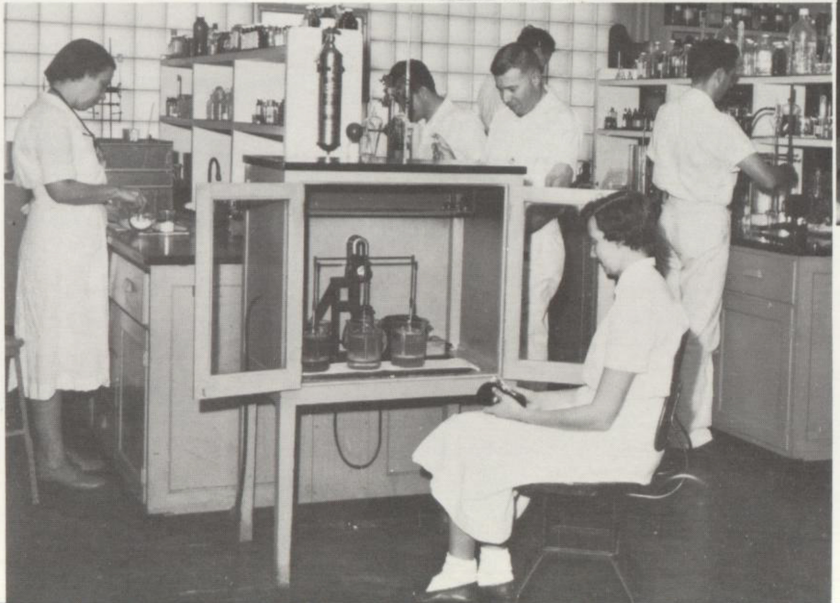
Analytical laboratory conducts tests insuring accuracy and safety of all Rexall products.



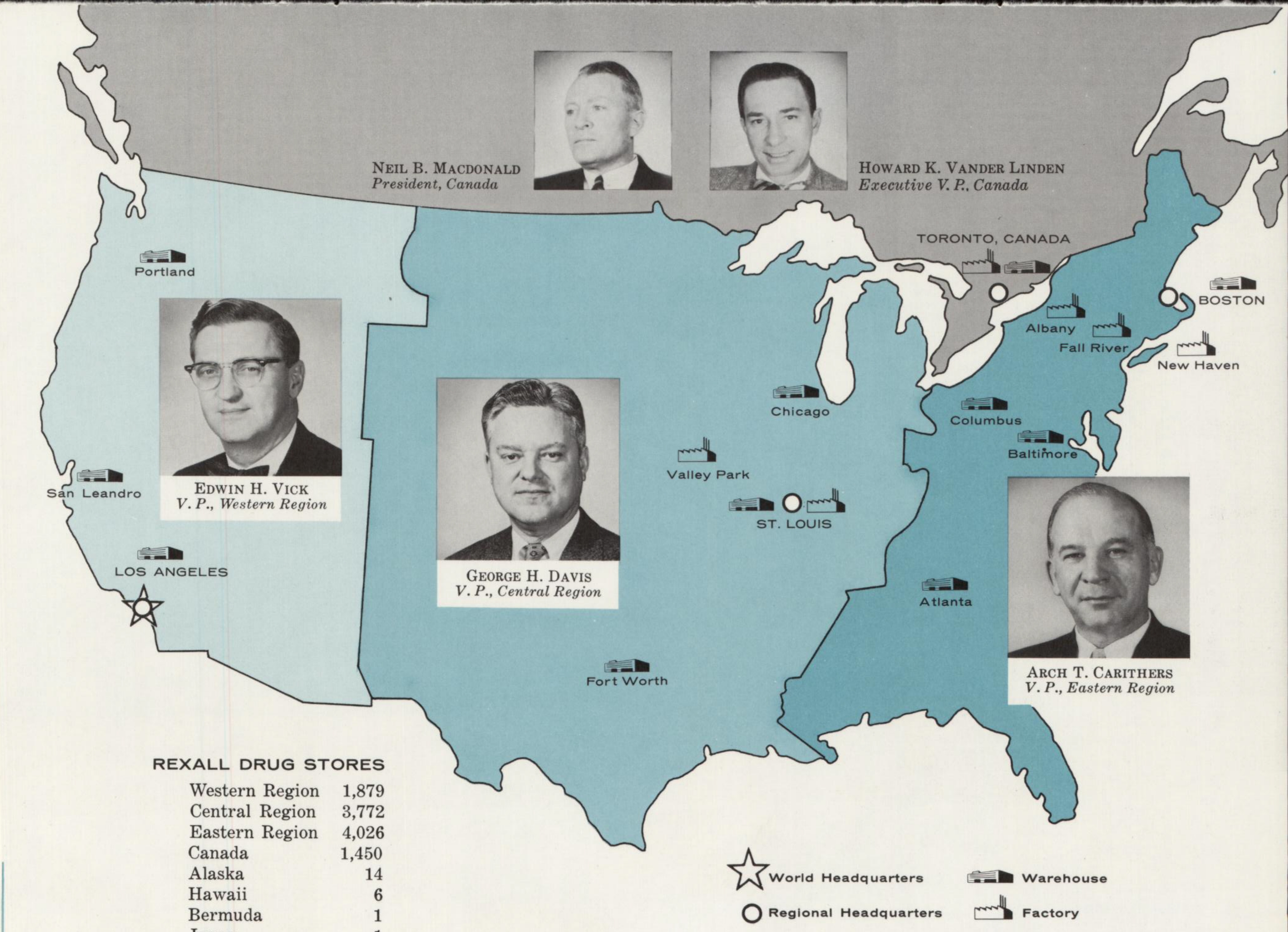
Micro-biological laboratory applies latest methods in making bacteriological determinations.



All products are tested constantly in various stages of manufacture to assure uniform high quality.



SALES REGIONS


TORONTO, CANADA
Portland
San Leandro
LOS ANGELES
Valley Park
Chicago
ST. LOUIS
Fort Worth
Albany
Fall River
BOSTON
New Haven
Columbus
Baltimore
Atlanta
World Headquarters
Regional Headquarters
Warehouse
Factory

NEIL B. MACDONALD
President, Canada

HOWARD K. VANDER LINDEN
Executive V. P., Canada

EDWIN H. VICK
V. P., Western Region

GEORGE H. DAVIS
V. P., Central Region

ARCH T. CARITHERS
V. P., Eastern Region

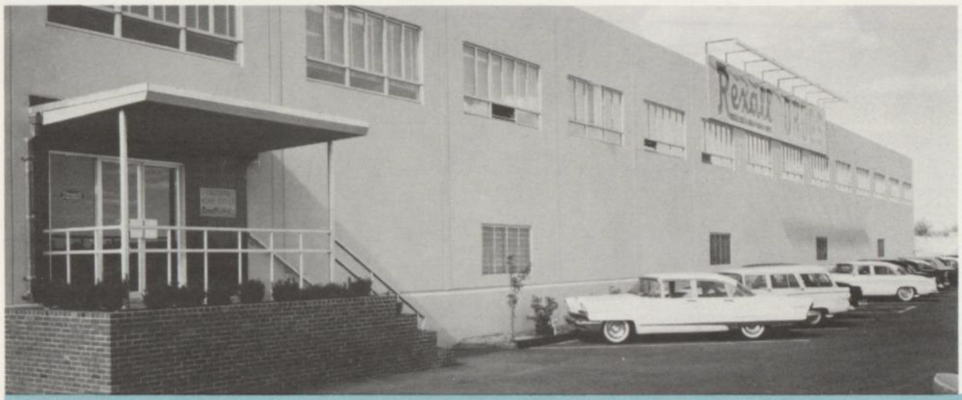
REXALL DRUG STORES

Western Region	1,879
Central Region	3,772
Eastern Region	4,026
Canada	1,450
Alaska	14
Hawaii	6
Bermuda	1
Japan	1
Total	11,149

WAREHOUSING and DISTRIBUTION

J. T. Rux
Director, Warehousing Operations

Your Company's program of improving warehousing facilities to provide more efficient service to its dealers continued in 1957. New warehousing units were opened in Boston, Massachusetts; Columbus, Ohio, and Baltimore, Maryland. Other units are located in Atlanta, Georgia; Chicago, Illinois; St. Louis, Missouri; Portland, Oregon; Fort Worth, Texas; San Leandro and Los Angeles, California.



Eastern Home Office
and Warehouse
Boston, Massachusetts

Rexall DRUGS

Mid-Western Home Office
and Warehouse
St. Louis, Missouri

Rexall DRUGS

Rexall Warehouse,
San Leandro, California

RIKER LABORATORIES, INC.

Riker Laboratories is a wholly-owned yet completely independent subsidiary of your Company, with its own manufacturing, research and selling facilities. Through its research laboratories it creates prescription specialties which are prescribed by physicians. Its products are distributed through wholesale druggists to prescription departments in all drug stores. New Riker research and production laboratories will be completed shortly after midyear, 1958. They will provide the facilities for expanded research and will bring together research, production laboratories, and administration.

This establishment, located in the San Fernando Valley about an hour from downtown Los Angeles, provides ideal climatic conditions for working and living. This location should aid in attracting and keeping unusually capable scientists and technicians.

It will provide most advanced technical facilities including controlled temperature and humidity, as well as safe chemical processing in the open air. It will, through modern design, require minimal maintenance costs. Looking to the future, the large site has been planned to permit expansion at minimum cost.

GEORGE L. MAISON, M.D.
President
Riker Laboratories, Inc.
Los Angeles, California

JOHN A. LUMLEY, M.P.S.
Managing Director
Riker Laboratories, Ltd.
Loughborough, England

ALFRED H. RIDGES
Vice-President
Sales & Promotion
Riker Los Angeles

R. W. RICHARDS, F.P.S.
General Sales Manager
Riker England

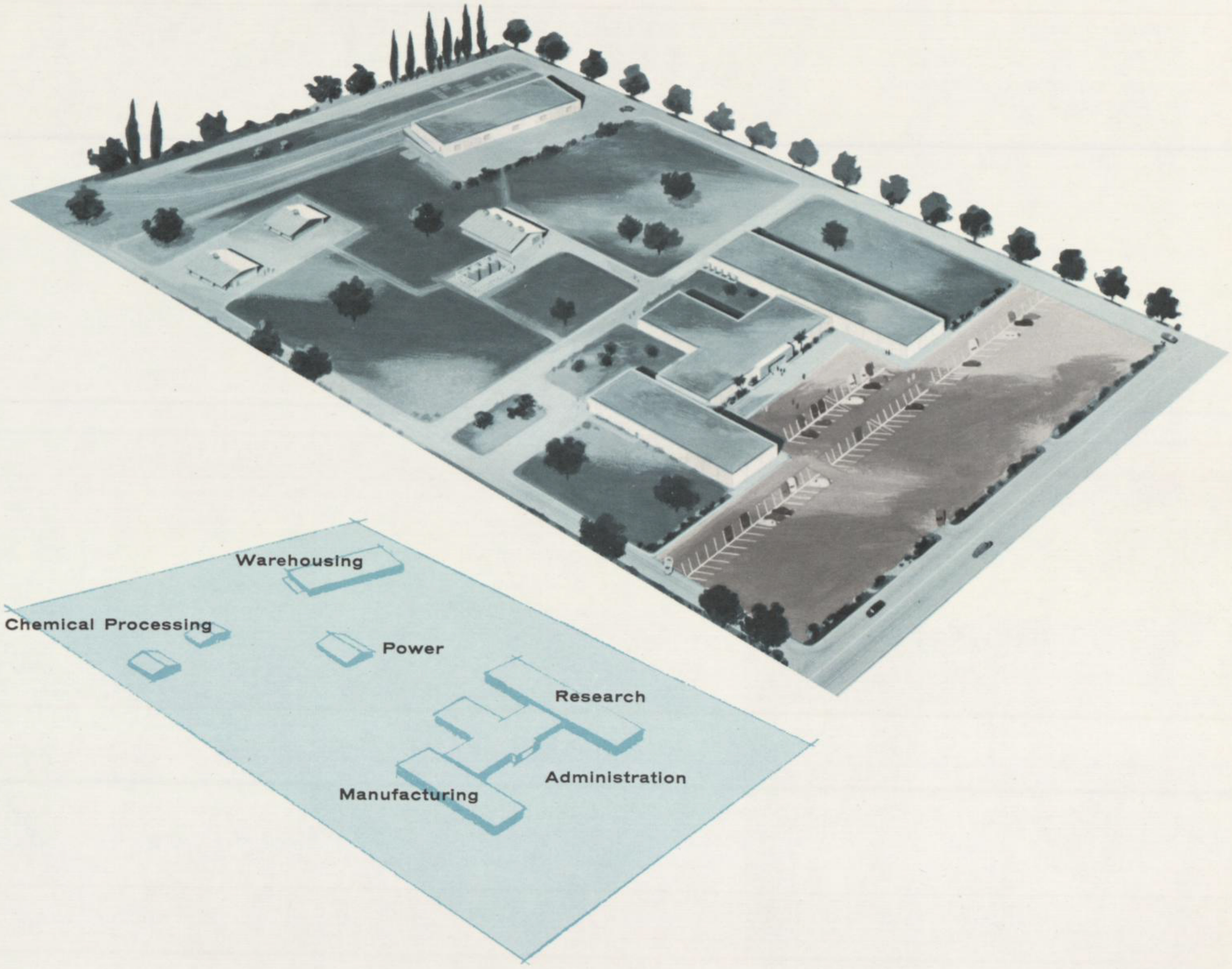
Products bearing the Riker label are available for prescription by the physicians of more than 40 countries through distributors or through Riker companies in Canada, England, South Africa and Australia.

Favorable impressions upon physicians largely depend on medical efficacy of the products, constant accuracy of manufacture and the dissemination of dependable technical information. A growing force of Riker representatives in each country is employed for calls on physicians to give information about Riker products. Advertisements in medical journals supplement these efforts. Prescription products are not advertised to the public.

Seymour H. Mann, B.Ch.E.
Vice-President
Manufacturing
Riker Los Angeles

Eric A. Burfoot
B.Sc., M.P.S., F.R.I.C.
Works Manager
Riker England

The Riker Manufacturing Division develops processes for the production of the new health-giving compounds originated by Riker research. Expenditures for research will again be increased in 1958. The Riker research team is shown in pictures on the following pages.


Warehousing
Chemical Processing
Power
Research
Administration
Manufacturing

RESEARCH

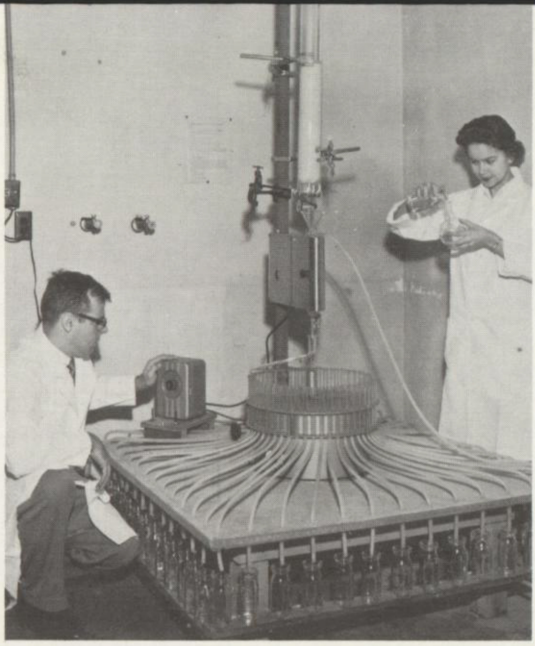
J. W. STUTZMAN
PH.D., M.D.
Vice-President
Research and
Development

Research Committee (left to right): Dr. J. E. Campion, Director of Laboratories; Dr. G. E. Cronheim, Biological Sciences; I. Porush, Analytical and Pharmaceutical Chemistry; Dr. J. W. Stutzman; M. W. Klohs, Medicinal Chemistry; Dr. A. Surtshin, Medical Director, and B. deGorter, Patents . . .

In the search for new drugs, the Research Committee evaluates the ideas of Riker personnel, of domestic and foreign associates — plans exploration of worthy leads.

Scientific literature holds the keys to the products of the future.

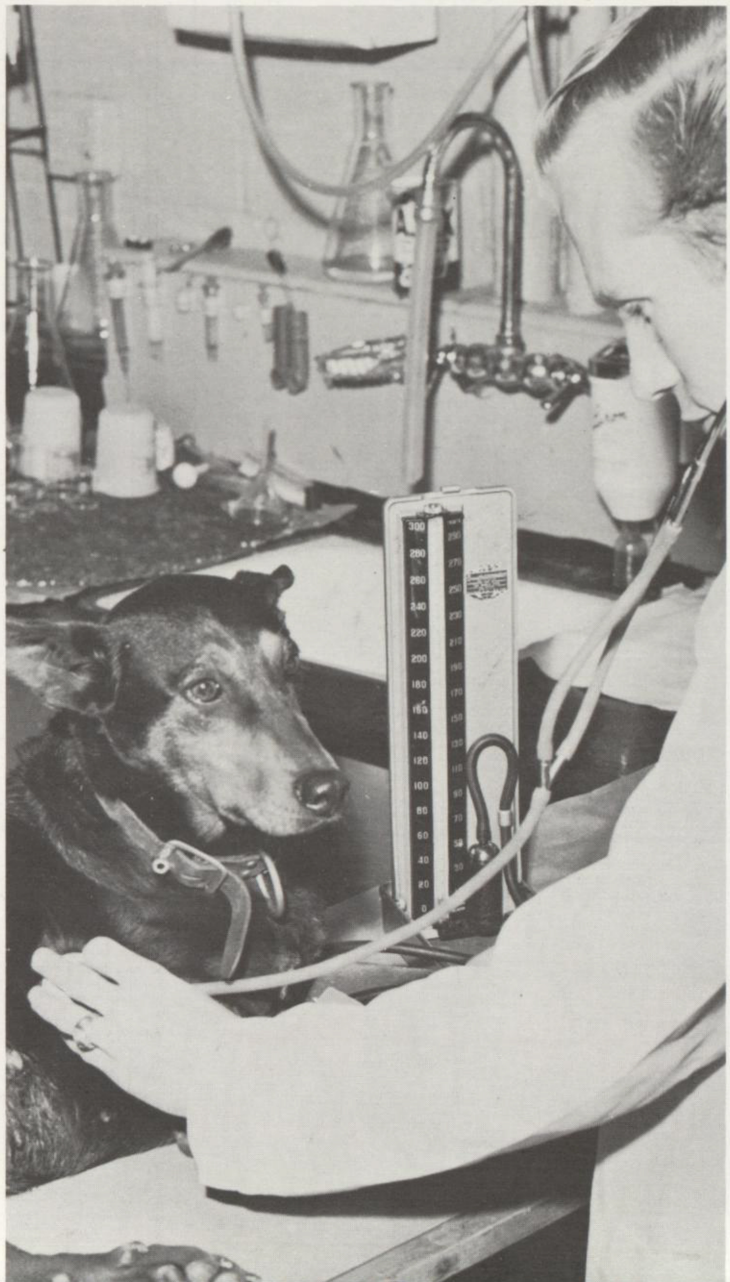
Medicinal chemists prepare new chemicals — potential new drugs — by chemical synthesis . . .



. . . by isolation and purification of chemicals present in age-old herbs.

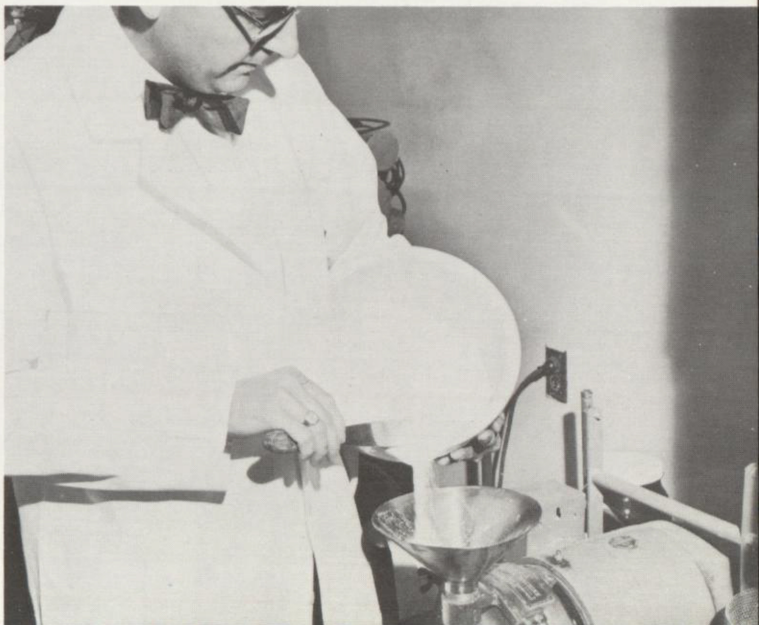
Analytical chemists use modern instruments to insure purity of new agents.

FOR EACH NEW DRUG — *pharmacologists determine what it does — physiologists how it does it — toxicologists establish its safety.*



Biochemists study what happens to it in the body.

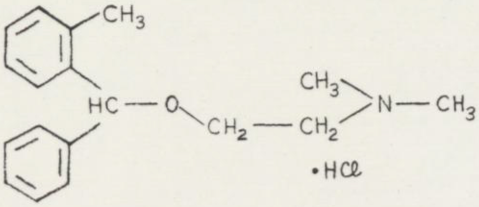
Pharmaceutical chemists put it in appropriate form to make it pleasant to take yet effective.



Physicians organize clinical trials to learn what patients the drug will help — what dose is needed.

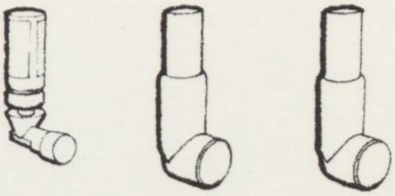
Disipal

Relaxes painful spasms of backache and muscle strain through action in brain—a new use developed through cooperative research with Brocades Stheeman of Holland on their anti-palsy drug.



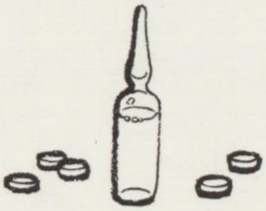
Medihaler-Iso • Medihaler-Epi
Medihaler-Phen

First self-propelling measured dose aerosol medicines for spasms of asthma and congestion of nasal passages.



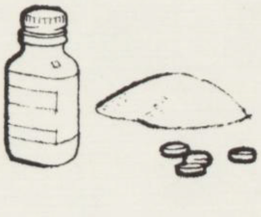
Veriloid

First Veratrum extract selected and standardized on its blood-pressure-lowering power. The basis for five Riker Products.



Rauwiloid

First product from Rauwolfia marketed in U.S.A. First selective purified extract from Rauwolfia. The basis for six Riker products used in cardiovascular and mental diseases.



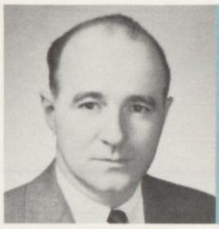
MANUFACTURING

CHESTER W. ANDERSON
Vice-President

Rexall Drug Company in all of its manufacturing activities is continuing to invest in new equipment to keep abreast of technological advances in the manufacturing and packaging equipment field. This is particularly important in order to remain competitive and because material costs and labor rates have increased from year to year.

Rexall Drug and Cosmetics Production
St. Louis, Missouri

One of the largest and most complete facilities of its type in the nation, the Rexall plant in St. Louis manufactures all of the Rexall Division's drug and cosmetic products. It was expanded and diversified in 1957 through the addition of complete filling and production facilities for the manufacture of aerosol products. Aerosol packaging has become increasingly important in the drug and toiletry business, and Rexall currently is merchandising many products in this type of container.



EDWARD E. ALDRICH
General Manager

The Seamless Rubber Company
New Haven, Connecticut

A major manufacturer of drug store and hospital rubber supplies including surgeons' gloves, adhesive tape, water bottles, ice caps and tubing. Seamless also manufactures sporting goods which include footballs, basketballs, hand and squash balls and miscellaneous rubber and plastic sporting equipment. The company is emphasizing its development of medical specialties — both rubber and plastics.

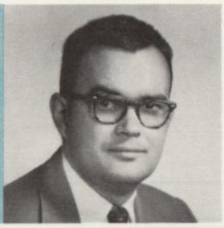
ARTHUR R. GOW
President

United Cotton Products Company
Fall River, Massachusetts

This company is continuing its basic research on new industrial abrasive products of a specialty nature. It is expected that new products based on recent patented developments will reach the market during 1958.

EDWARD HURST
President

JOHN R. GIBBONS
Vice-President



Absorbent Cotton Company
Valley Park, Missouri

During the past year, the company has developed new special purpose machinery and has devised new methods for processing surgical cotton and gauze. Although this company is in a highly competitive field, its prospects are good.

HOWARD C. NEILL
President

Eastern Tablet Company
Albany, New York

This paper-converting company manufactures school supplies, envelopes and writing paper. In addition to producing for Rexall's nation-wide distribution, it manufactures lines sold by leading variety stores and wholesalers in the north and mid-Atlantic states.

A new line will be ready by midyear to meet the growing demand for school supplies and stationery, especially packaged for self-service and self-selection operation. The constant increase in population offers a continuing growth factor in school supplies and stationery.

J. ALLEN BARNETT, JR.
President

Tested Products Company
Los Angeles, California

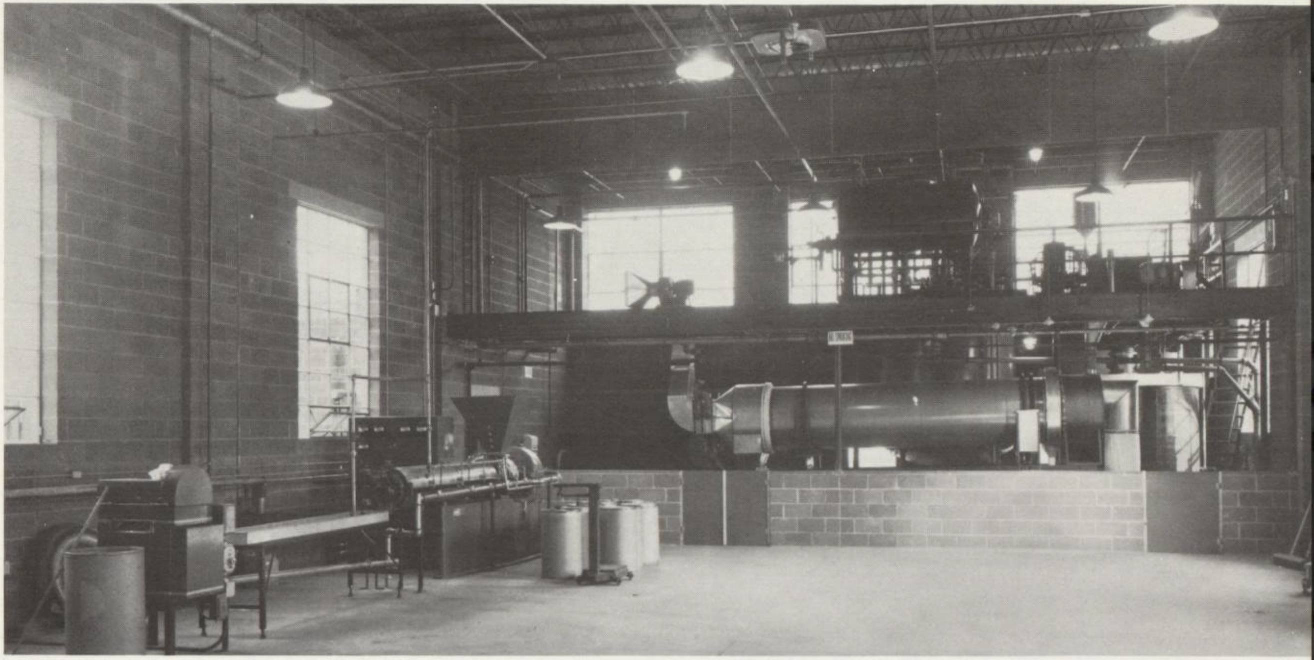
Tested Products manufactures for other companies (under their own trade-marks) pharmaceuticals, proprietary drugs, cosmetic and household products. In 1957 Tested Products' volume increased substantially and the growth potential for this operation is good.

Rexall's new laboratories and other manufacturing facilities which serve Tested Products have the capacity to produce a broader range of pharmaceutical, drug, cosmetic, and household products than any other company in America. We also have one of the most effective product development laboratories in these fields.

Rexall's high technical standards and precise laboratory controls give those supplied by Tested Products the highest possible degree of protection for their trade-marks.

Possibilities of combined carload shipments offer customers opportunities for substantial freight savings.

Tested Products has offices at 8480 Beverly Boulevard, Los Angeles 54, California; 3901 North Kingshighway Boulevard, St. Louis 15, Missouri; and Toronto.



Seamco Chemical
Holyoke, Massachusetts

A division of The Seamless Rubber Company, Seamco was established late in 1956. The company produces polystyrene, a plastic molding powder which is sold to outside producers of finished goods.

The styrene used in the production of polystyrene is produced in El Paso Natural Gas Products' new plant in Odessa, Texas.

Agreements have been signed with the El Paso Natural Gas Products Company covering the formation and operation of a joint research effort for the development of plastic and plastic co-polymers. In the near future, the two firms will jointly build and staff a plant for this purpose.

Kraloy Plastic Pipe Co., Inc.
Los Angeles, California

Purchased in 1956, this company continues its development program. Kraloy is engaged exclusively in the manufacture of non-corrosive and non-toxic plastic pipe and fittings.

Application, to date, has been primarily in the irrigation and farm markets and oil field uses. Considerable groundwork has been done in other fields, however, where Kraloy's product is eliciting much interest. These include public utilities, gas distribution, water supply, electrical conduit and countless industrial and chemical applications.

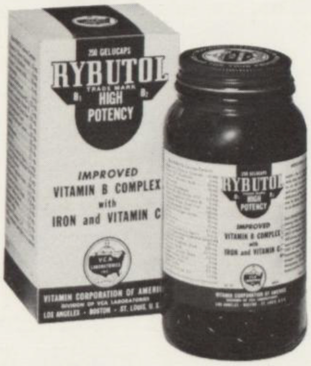
SAMUEL C. PRUSKY
President

V. C. A. Laboratories
Los Angeles, California

The promotion of Intracel Penetrating Analgesic, introduced late in 1956, was continued during 1957, supported by a substantial advertising budget. The product has attained broad distribution in drug stores throughout the United States.

Super Rybutol, Vitamin Corporation of America's new therapeutic, high potency, multi-vitamin formula, is being introduced on a market-by-market basis. Experience in test markets thus far indicates that the opening of additional areas is well justified.

During 1958, VCA intends to test market several new products with the expectation of marketing at least one of them.


RYBUTOL
HIGH POTENCY
IMPROVED
VITAMIN B COMPLEX
with
IRON and VITAMIN C
VITAMIN CORPORATION OF AMERICA

Rybutol
A high-potency B-Complex vitamin-mineral formula.

SUPER RYBUTOL
SUPER
RYBUTOL
Therapeutic
VITAMINS
MINERALS

Super Rybutol
Therapeutic vitamin and mineral formula of prescription strength.

Intracel® Jel
Intracel® JEL FORM IN A TUBE
penetrating analgesic

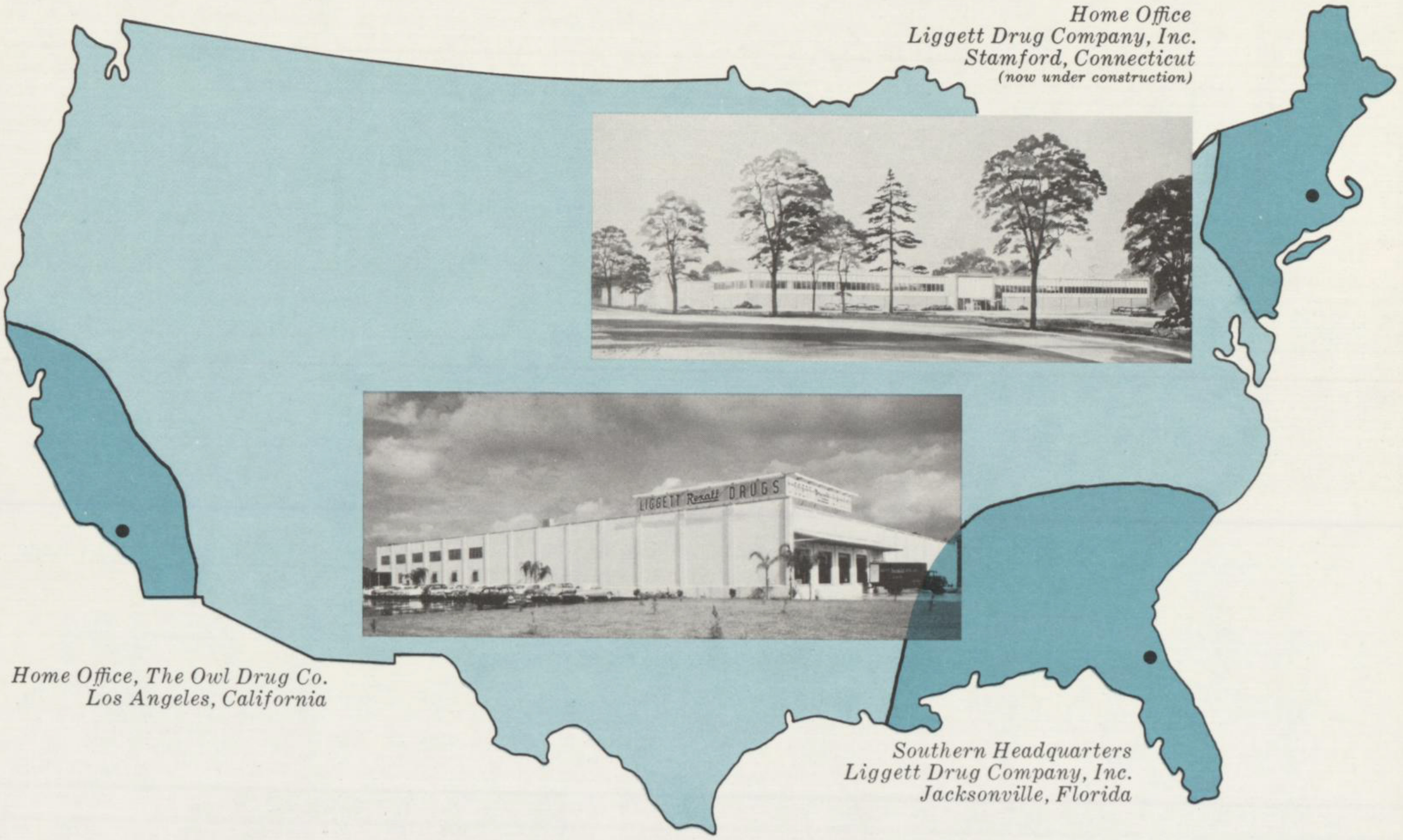
Intracel
Liquid and Jel
Penetrates into tissues to bring direct relief from pain. Puts pain to sleep.

JUVENAL
LIQUID
MULTI-VITAMIN
and IRON
NUTRITIONAL SUPPLEMENT

Juvenal
A liquid multiple-vitamin preparation for children. Tastes like a lollipop.

RETAIL DIVISION

RETAIL DRUG STORE CHAINS



Home Office
Liggett Drug Company, Inc.
Stamford, Connecticut
(now under construction)

Home Office, The Owl Drug Co.
Los Angeles, California

Southern Headquarters
Liggett Drug Company, Inc.
Jacksonville, Florida

H. C. BENDER
President
The Owl Drug Co.

I. C. KEPFORD
President
Liggett Drug Company, Inc.

The Liggett Drug Company on the Eastern Seaboard and the Owl Drug Company on the West Coast were operating 160 drug stores at the close of 1957. Twelve new super drug stores were opened and ten marginal units were closed during the year. Fifteen new super stores are planned for 1958.

In addition, the two retail drug chains served a total of 280 agency stores. Operating under the Liggett or Owl names, these agency stores are served by the chain organizations and participate in their advertising and promotions. Seventy-seven new agency stores were awarded franchises during the year.

In September, Liggett opened a new southern headquarters and distribution center in Jacksonville, Florida. Construction currently is under way on a new Liggett Home Office and Warehouse in Stamford, Connecticut. This new facility is expected to go into operation during the latter part of this year.

Plans are to concentrate the Company's retail chain operations in the areas indicated on the map.

ROBERT T. BEATTIE
President

BLUM'S

San Francisco, California

A manufacturer and distributor of nationally famous confectionery products, the Blum organization markets through its own retail stores as well as selected wholesale accounts in metropolitan areas throughout the United States. In addition, the company operates specialty restaurants featuring high quality foods and fountain items.

Rexall has gradually increased its holdings in Blum's. It now owns more than 90% of the firm's stock.

BLUM'S — Home Store, Polk and California Streets, San Francisco

INDEPENDENT AUDITORS REPORT

PRICE WATERHOUSE & CO.

530 WEST SIXTH STREET
LOS ANGELES 14

February 24 1958

To the Board of Directors of
Rexall Drug Company

In our opinion, the accompanying statements present fairly the consolidated financial position of Rexall Drug Company and its consolidated subsidiaries at December 31 1957 and the results of their operations for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year except for the inclusion in the consolidation of Blum's, a ninety-two per cent owned subsidiary, which change we approve. Our examination of such statements was made in accordance with generally accepted auditing standards and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

Price Waterhouse & Co.

REXALL DRUG COMPANY
and its
Consolidated Subsidiaries

CONSOLIDATED BALANCE

ASSETS

			1957	1956
CURRENT ASSETS				
Cash			$13,178,427	$12,550,028
Short term securities at cost and redemption amount, latest maturity April 1958			1,252,500	1,982,500
			14,430,927	14,532,528
Accounts and notes receivable, less reserves of $548,670 in 1957 and $649,310 in 1956				
Customers			15,887,560	14,424,367
Others			1,838,202	2,298,325
Inventories, at cost or market whichever lower	1957	1956		
Raw materials and supplies	$ 5,591,093	$ 5,181,463		
Work in process	2,338,750	1,978,757		
Finished merchandise	32,189,548	28,275,660	40,119,391	35,435,880
Total Current Assets			72,276,080	66,691,100
INVESTMENTS, ADVANCES AND NONCURRENT RECEIVABLES				
Investments in and advances to subsidiaries not consolidated				
United States subsidiaries (Rexall equity in net assets $692,000 in 1957 and $1,593,000 in 1956)			721,802	1,627,402
Foreign subsidiaries wholly owned (net assets were $1,913,000 in 1957 and $1,630,000 in 1956)			493,215	490,848
Miscellaneous investments, at cost less reserve			255,931	258,444
Receivables, advances and deposits, less reserve				
Due from officers and employees under stock purchase plan			739,323	927,482
Due from sale of retail stores			537,671	786,198
Other			1,378,588	1,494,213
			4,126,530	5,584,587
PROPERTY ACCOUNTS, AT COST				
Land			1,793,367	1,466,304
Buildings and building fixtures			10,787,115	11,508,485
Machinery and equipment			15,564,639	13,263,601
Store fixtures, leaseholds and improvements			12,517,338	11,101,094
			40,662,459	37,339,484
Less — accumulated depreciation			20,500,229	19,132,526
			20,162,230	18,206,958
INSURANCE, TAXES, RENT AND OTHER DEFERRED CHARGES			518,390	485,561
GOODWILL AND TRADEMARKS			1	1
			$97,083,231	$90,968,207

REXALL DRUG COMPANY
and its
Consolidated Subsidiaries

SHEETS DECEMBER 31, 1957 AND DECEMBER 31, 1956

LIABILITIES

	1957	1956
CURRENT LIABILITIES		
Accounts payable	$ 9,594,923	$ 8,603,527
Accrued wages, salaries and taxes thereon	3,331,131	3,006,511
Other accrued expenses	4,232,953	3,936,307
Current instalments of long term indebtedness	811,762	1,444,065
Estimated Federal and Canadian taxes on income for current and prior years	4,207,704	3,849,313
Total Current Liabilities	22,178,473	20,839,723
LONG TERM INDEBTEDNESS, less current instalments shown above		
Promissory notes, due in instalments 1959 to 1980		
3⅜%	13,582,000	14,214,000
5%	6,409,000	
5¾%	3,385,000	
Sinking fund debentures, 3% due 1965		6,408,660
Real estate and equipment obligations	978,062	810,870
	24,354,062	21,433,530
STOCKHOLDERS' EQUITY		
Capital stock of Rexall Drug Company Authorized — 5,000,000 shares, par value $2.50 each Issued — 3,501,120 shares	8,752,800	8,752,800
Other paid in capital	10,601,647	10,598,153
Earnings retained and used in the business per accompanying statement (under agreements covering long term indebtedness, $3,000,000 of the retained earnings at December 31, 1957 is not restricted as to payment of dividends)	34,182,699	31,202,199
	53,537,146	50,553,152
Less — cost of treasury stock — 319,447 shares in 1957 and 190,364 shares in 1956	2,986,450	1,858,198
Total Stockholders' Equity	50,550,696	48,694,954
	$97,083,231	$90,968,207

CONSOLIDATED STATEMENT OF EARNINGS AND EARNINGS RETAINED AND USED IN THE BUSINESS

	1957	1956
Sales, less returns, allowances and discounts	$167,567,195	$155,633,369
Cost of sales, selling, distribution, promotional and administrative expenses, etc.	(155,368,772)	(143,902,022)
Depreciation	(2,048,967)	(1,814,061)
Interest on indebtedness	(935,621)	(843,690)
Provision for Federal and Canadian taxes on income	(4,600,000)	(4,600,000)
Net earnings for year	4,613,835	4,473,596
Earnings retained and used in the business at beginning of year	31,202,199	28,406,487
Dividends paid — 50¢ per share	(1,633,335)	(1,677,884)
Earnings retained and used in the business at close of year	$ 34,182,699	$ 31,202,199

NOTES TO FINANCIAL STATEMENTS

BASIS OF CONSOLIDATION—For 1957 all wholly owned United States and Canadian subsidiaries and Blum's, a 92% owned subsidiary, are consolidated. Blum's, controlling interest of which was acquired late in 1956, was not consolidated prior to 1957. Its net sales for 1957 aggregated $4,708,287 and its net income, after minority interest, was $149,319. The minority interests in income and in ownership are relatively insignificant and are not shown separately.

REFUND CLAIM—No amounts have been included in the financial statements in respect of claims seeking recovery of Federal excess profits taxes. The claims filed in 1953 are based on a contention that the excess profits credits should be increased for the years 1940 to 1945, inclusive.

STOCK OPTIONS—Under options granted in 1956, 30,000 shares of treasury stock are reserved for purchase by two officers over a period of ten years at amounts aggregating approximately $295,000. Additional options were granted in 1957 and in January 1958 to officers and other employees to purchase 78,000 shares of capital stock at amounts aggregating approximately $630,000. Ten percent of these options may be exercised each year, on a cumulative basis, over a period of ten years. None of these options was exercised in 1957.

LEASE LIABILITIES — At December 31, 1957 the Company and its consolidated subsidiaries were committed under some 185 leases of real property expiring more than three years after that date with minimum annual rentals of approximately $3,250,000. Less than three percent of this amount relates to leases expiring more than 25 years after December 31, 1957.

In addition, subsidiary companies have leased (most with options to purchase) store fixtures for periods of seven or more years, in most cases at aggregate basic rentals which over the lease periods approximate the cost of the fixtures plus carrying charges. The present total annual rental payable is approximately $145,000.

REXALL DRUG COMPANY
and its
Consolidated Subsidiaries

CONSOLIDATED STATISTICAL SUMMARY

IN THOUSANDS OF DOLLARS

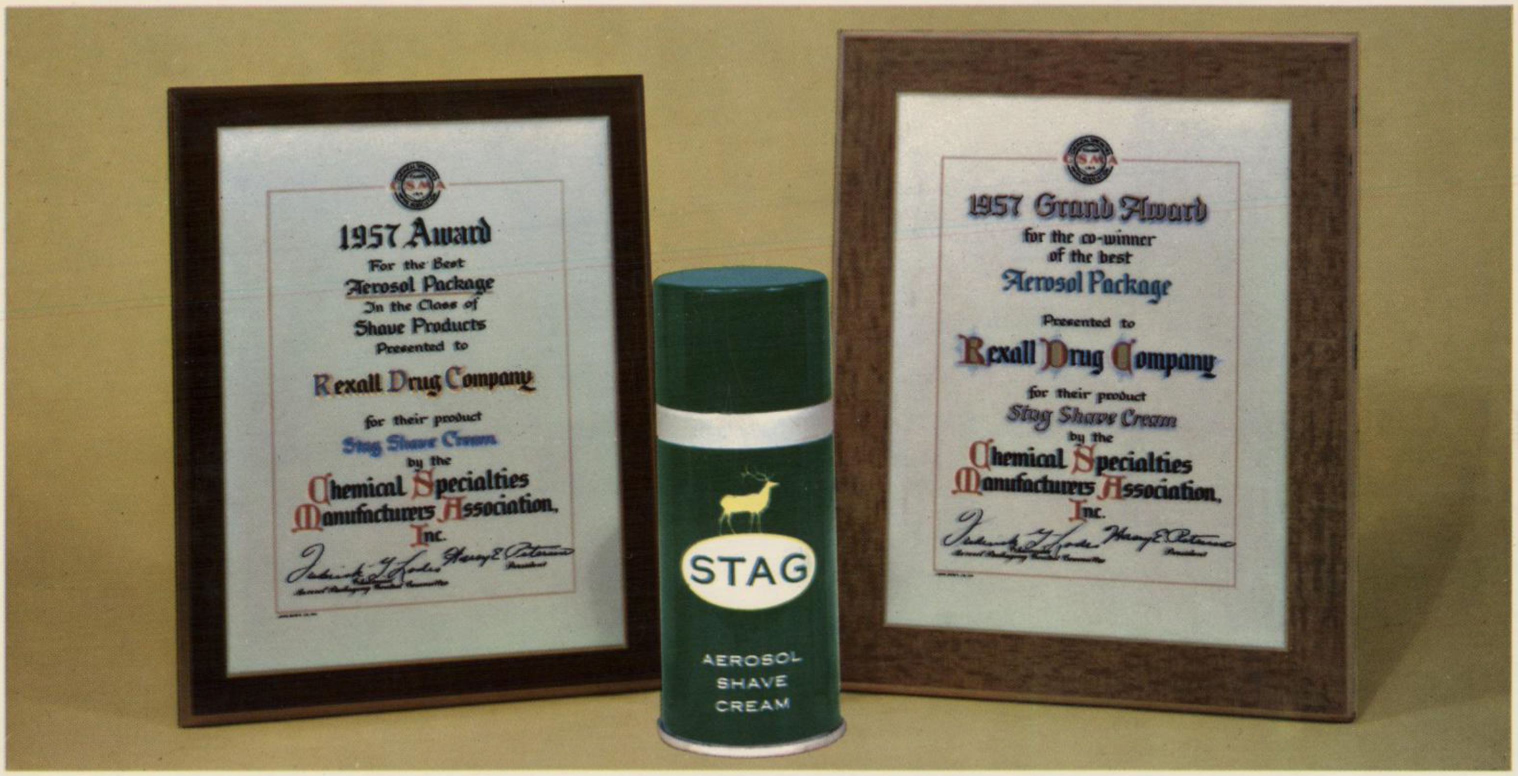
FINANCIAL OPERATIONS

	1957	1956	1955	1954	1953
Net sales	$ 167,567	$ 155,633	$ 153,465	$ 176,138	$ 189,244
Earnings before Federal and Canadian income taxes and special items	9,214	9,074	8,916	6,567	6,456
Federal and Canadian income taxes	4,600	4,600	4,850	3,300	3,300
Net earnings	4,614	4,474	4,066	3,267	3,156
Earnings per share of common stock	$ 1.45	$ 1.35	$ 1.19	93¢	90¢

FINANCIAL POSITION

	1957	1956	1955	1954	1953
Cash and short term securities	$ 14,431	$ 14,533	$ 17,830	$ 12,463	$ 12,593
Accounts receivable	17,726	16,722	15,005	14,346	15,130
Inventories	40,119	35,436	34,563	38,246	37,225
Current assets	72,276	66,691	67,398	65,055	64,948
Less — Current liabilities	22,178	20,840	19,718	18,803	20,120
Working capital	50,098	45,851	47,680	46,252	44,828
Property, machinery and equipment (net)	20,162	18,207	17,639	17,869	20,440
Investments, advances, prepaid expenses, etc.	4,645	6,070	4,653	3,943	3,974
Less — Real estate and equipment obligations	978	811	883	927	1,356
Other long term indebtedness	23,376	20,622	22,020	21,775	23,238
Stockholders' equity	$ 50,551	$ 48,695	$ 47,069	$ 45,362	$ 44,648
Stockholders' equity — amount per share	$ 15.89	$ 14.71	$ 13.72	$ 12.98	$ 12.75
Number of shares of stock outstanding	3,181,673	3,310,756	3,429,732	3,501,120	3,501,120
Number of stockholders	15,852	15,865	15,807	14,688	15,435

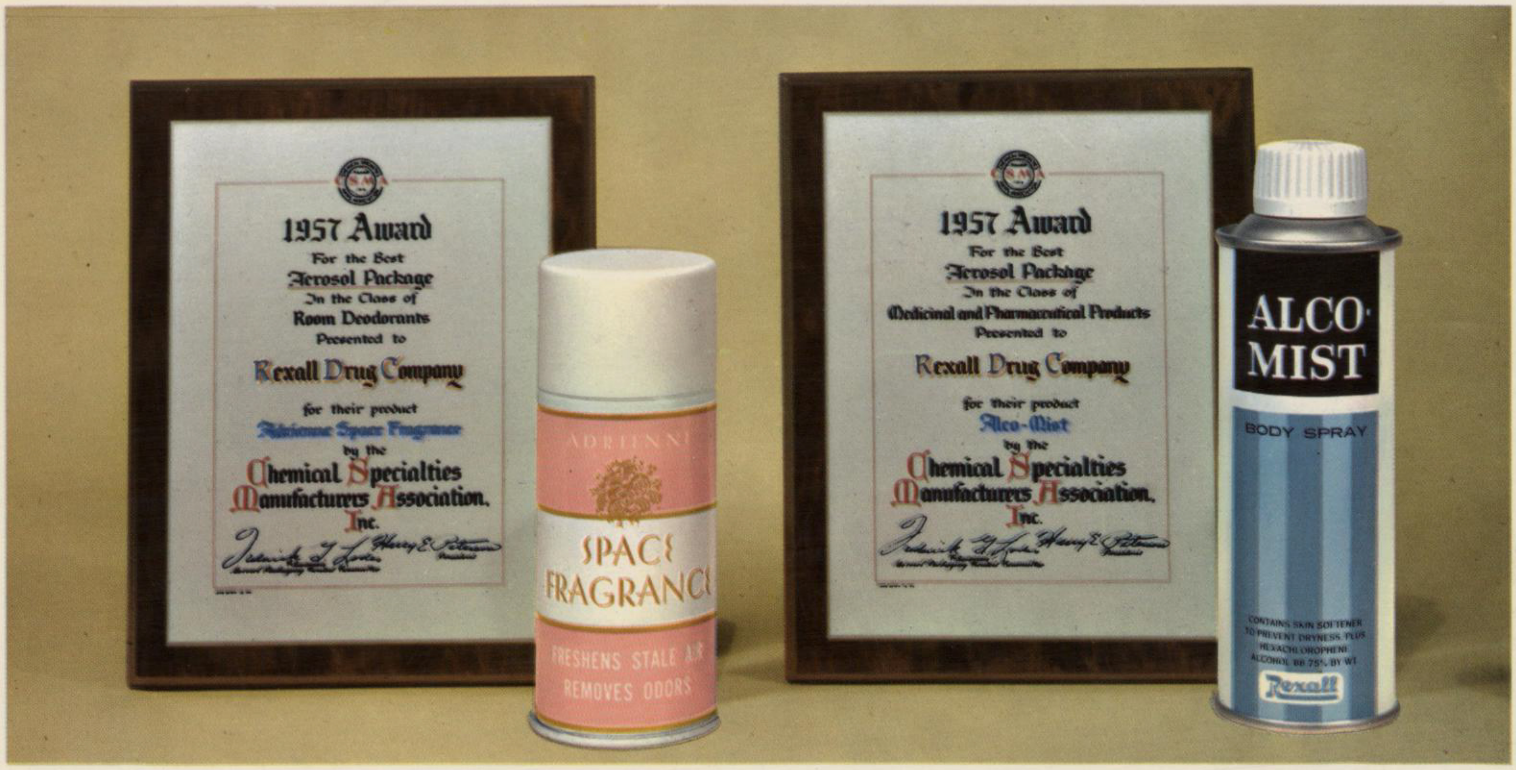
AWARD WINNERS OF 1957



1957 Award
For the Best
Aerosol Package
In the Class of
Shave Products
Presented to
Rexall Drug Company
for their product
Stag Shave Cream
by the
Chemical Specialties
Manufacturers Association,
Inc.
Harry E. Peterson
President

1957 Grand Award
for the co-winner
of the best
Aerosol Package
Presented to
Rexall Drug Company
for their product
Stag Shave Cream
by the
Chemical Specialties
Manufacturers Association,
Inc.
President

STAG SHAVE CREAM Co-winner of Grand Award for best aerosol package and First Place for best aerosol package in shave products class—presented by Chemical Specialties Manufacturers Association, Inc.



1957 Award
For the Best
Aerosol Package
In the Class of
Room Deodorants
Presented to
Rexall Drug Company
for their product
Adrienne Space Fragrance
by the
Chemical Specialties
Manufacturers Association,
Inc.
President

1957 Award
For the Best
Aerosol Package
In the Class of
Medicinal and Pharmaceutical Products
Presented to
Rexall Drug Company
for their product
Alco-Mist
by the
Chemical Specialties
Manufacturers Association,
Inc.
President

ADRIENNE SPACE FRAGRANCE Winner of First Place for the best aerosol package in room deodorant class — presented by CSMA, Inc.

ALCO MIST BODY SPRAY First Place, best aerosol package in medicinal and pharmaceutical products class — presented by CSMA, Inc.

These award-winning package designs were conceived and created wholly within the packaging section of the Rexall Advertising Department. They represent a few of the many new products Rexall is producing under an accelerated product development and marketing program.